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SUBJECT: WHAT'S AT STAKE IN LATVIA'S ELECTIONS?

Classified By: Ambassador Catherine Todd Bailey. Reason: 1.4 (D)

¶1. (C) Summary: While Latvia's parliamentary elections October 7 are unlikely to bring about a major near term change in foreign policy, the elections merit USG attention for two reasons. First, they will give us indication of whether Latvia will continue to press forward on efforts to strengthen rule of law, or slow down, now that the country has gained membership in both the EU and NATO. Second, the parliament elected in October will choose Latvia's next president when Vaira Vike-Freiberga's second term ends in ¶2007. She has been a brake on some of the worst excesses in Latvian politics and dominated Latvia's foreign policy, shaping it in a determinedly pro-U.S. manner. We do not believe that either of these issues will be forefront in the mind of the largely apathetic electorate, thus leaving them in the hands of Latvia's political elite. End summary.

Outlook for Coalition Formation

¶2. (C) Latvian voters will elect their 100 member legislature, the Saeima, on October 7. Current polls and the conventional wisdom point to a parliament with most of the same parties participating as in the current one, although there are some major questions about individual parties' number of seats. Key among these are the following: how will the presence of Ventspils mayor Aivars Lembergs, indicted on corruption charges, affect the tallies for the Greens and Farmers Union? Will the conservative First Party and the ethnic-Russian oriented Harmony Center clear the five percent threshold? Will nationalist Fatherland and Freedom be able to win a significant number of seats with many of its most popular leaders serving in the European parliament and unable to run in these elections? Will center-right New Era win enough seats to ensure the other Latvian parties must work with it? Or will they come to regret their decision to walk out of the government earlier this year in protest of a corruption scandal? Most observers agree that the ethnic Russian parties will once again win 25 - 30 seats, with the remaining seats divided among the centrist and center-right ethnic Latvian parties. The chances of the Russian parties being brought into government is basically nil, so the question is simply one of math.

¶3. (C) Post elections, the key question will likely be a tactical one - what arrangements among the parties will produce a government that can win a vote of confidence? Most people we talk to think that the most likely coalition arrangement would be the same as the current minority government - People's Party, Greens and Farmers, and First Party -- with Fatherland and Freedom possibly joining to provide a majority if needed. Flagging poll numbers for New Era suggest it is unlikely to have enough seats to hold the balance of power, as they did in the previous elections, when they garnered the largest number of seats. We have seen that the other parties are happy to avoid having to work with New Era if possible, following the acrimonious period which led to New Era leaving the government and the creation of the

current minority government.

Rule of Law

14. (C) If the new governing coalition contains the same basic components, then it is hard to envision immediate major changes in policy, although some key players may change. In the short term (six to eight months), we believe that the government which emerges from the election will continue to support us in the Global War on Terror (including maintaining troops in Iraq), democracy promotion in Latvia's neighborhood (especially Belarus, Moldova, Georgia and Ukraine) and a range of other foreign policy priorities.

15. (C) The biggest open question is what attitude Latvia's politicians adopt toward the rule of law. To join the EU and NATO, Latvia put a lot of structures and legislation in place, but they have not had much time to operate, and implementation and coordination remain weak. Talking to journalists, political scientists, NGO's and even politicians, there is a real sense here that these elections are critical for the medium-term future of the rule of law in Latvia. Have the values of openness, transparency and good governance really begun to take root in Latvia or were the measures pushed through in large measure under the spur of EU membership criteria? As one journalist said, "The question in this election is whether it is about which oligarch should get wealthier or which one should be sent to prison." The answer will tell us a lot about whether Latvia has really turned the corner on these issues.

16. (C) A government dominated by Greens and Farmers, First Party, and certain elements in the People's Party could very possibly pursue amendments to the criminal code that would make investigations harder for law enforcement.

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Additionally, the positions of Prosecutor-General Maizitis, anti-corruption bureau (KNAB) director Loskotovs, and other key officials who have been proponents of strengthening the rule of law could be in jeopardy. In the most extreme -and unlikely - scenario we hear there could be an attempt to pack the Constitutional Court to ensure that any attempt to challenge any bad legislation passed by the new Saeima would fail. In the days and weeks following the elections, we will need to closely watch for signs of initiatives in the Saeima to weaken transparency and strengthen the hand of the oligarchs.

The Next Latvian President

17. (C) The parliament selected in October will choose the next President of Latvia when Vaira Vike-Freiberga's term expires next July (or sooner if she wins the race for UN Secretary General). Vike-Freiberga's force of personality

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has made the presidency far more important than its constitutionally-defined role. She has stood up to the parties to demand more accountability and reductions in corruption, she has vetoed laws that she felt were designed only to score cheap political points, but most importantly for us, she has been the primary architect and spokesperson for Latvian foreign policy for much of her eight years in office. She has spoken in favor of US policy and values on numerous occasions and has helped ensure Latvia's continued participation in coalition operations and support in the Global War on Terror. She has encouraged an insular population to look outward and take an interest in the struggles for democracy and freedom around the world.

18. (C) While politicians would never criticize the very popular president publicly -- it would be political suicide -- they privately grumble that she is too independent and has expanded the role of her office far more than was ever intended. They hope to find someone that is more "one of

them" and who will be, frankly, more controllable. For example, Vike-Freiberga has made it crystal clear that she will never appoint Aivars Lembergs to the post of Prime Minister, but we cannot exclude the possibility of a future president doing that. As noted above, Latvia's monied interests, including Lembergs, want a change in the criminal code that would allow suspects access to evidence against them even while the investigation is ongoing, potentially allowing suspects to see what the police haven't yet found and take steps to destroy or hide information. We doubt Vike-Freiberga would ever sign such a law and she would likely use the bully pulpit to shame the parliament from overturning that. We cannot predict what another president would do. Additionally, Vike-Freiberga has articulated a vision of Latvia's foreign policy that is based on values and is thus pro-US, pro-NATO and pro-EU. Given her stature and personality, her governments have had to fall in line behind her on this. Vike-Freiberga is quietly supporting Zaneta Ozolina, who heads the President's strategic analysis commission, to succeed her because her values and principles are in line with the current President's. However, since the election will be conducted only by members of the Saeima, nothing is certain or predictable about the outcome. A future president could have a less dominant role in foreign policy and we could see shifts in policy, very possibly to be more EU-oriented, but also perhaps to be "cozier" with Latvian business interests, many of whom have ties to Russia, Belarus and other countries in the region.

The Voters

19. (C) The key variable in all of this, of course, is the Latvian voter. The general mood in advance of the elections is one of apathy. Latvians seem to have very low expectations of their politicians and a growing economy dampens malcontent. Polls here show trust in and respect for political parties and parliament below twenty percent. We do not see strengthening the rule of rule or continuing the legacy of Vike-Freiberga as major motivators for most voters.

Revelations earlier in the year that then Minister for Transport Ainars Slesers arranged a vote buying scam to sway a municipal election (and presumably free up prime real estate for development by him and/or his supporters) was met with a yawn. Allegations from New Era ministers that senior officials in the economic and justice ministry were mishandling EU structural funds and prison construction contracts respectively were used by other parties to make the point that New Era can't work with others; and the public seems to agree that New Era should have stayed in government and pursued its agenda from within the government. As a result, voter turnout is likely to drop to between sixty and sixty-five percent (it was just over seventy percent in 2002). Most people will make their choice not on the basis of any party platforms, but on the basis of personality and, in many cases, ethnic identity. Recent polls show that, less than three weeks before elections, roughly twenty percent of

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the electorate was undecided about their vote. Fifteen years after the restoration of independence and two years after joining the EU and NATO, the average Latvian voter feels that the big goals have been achieved and is more interested in enjoying the fruits of the earlier efforts rather than striving to see what else might be achieved.

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